

AGENDA
EXECUTIVE FINANCE COMMITTEE

September 25, 2008 at 1:30 P.M.

Location: Treasury Conference Room, KC Admin. Bldg., Room 610 (6th Floor)

Committee Members: *Councilmember Larry Phillips, Chair; Bob Cowan, Director OMB; Ken Guy, Director FBOD;
Jim Buck, County Administrative Officer*

Staff: *Scott Matheson, Interim Treasury Operations Manager; Mike Smith, Investment Officer;
Dave Turley, Financial Accounting Supervisor*

AGENDA ITEMS

1. **Action:** Approval of Minutes of the August 28, 2008 Executive Finance Committee meeting. (page 2)
2. **Action:** Approval of the interfund-borrowing request from the Wastewater Treatment Division (WTD) for ARMS fund 3611. WTD is requesting to borrow up to \$300 million. The loan will be repaid when revenue bonds are sold; this is expected to happen before February 28, 2009. (pages 3-4)
Tim Aratani, Manager, Finance and Administrative Services
3. **Briefing:** Diesel Price Stabilization Program (Handout)
Bill Greene, DOT Finance Director
4. **Briefing:** Update on impaired investments.
Ken Guy, Finance Director
5. **Briefing:** Update on action plan related to Motion No. 12796 – “Investment Pool Advisory Panel Report”: Investment Pool Advisory Committee Options, Investment Pool Custodian Bank Options, & Investment Pool Accounting Practices (pages 5-22)
Ken Guy, Finance Director
6. **Briefing:** August 2008 Investment Summary
 - Investment Purchase Summary (page 23)
 - Reverse Repo Analysis and Policy Compliance (page 24)
 - Residual Investment Fund Summary (page 25)
 - Issuer Diversification and Credit Exposure Report (page 26)
 - Investment performance review (pages 27-32)
 - Interest Rate Summary (page 33)*Mike Smith, Investment Officer*
7. **Action:** Committee’s direction for investment of idle cash balances of specific County funds not needed for immediate expenditure.

Staff Recommendation: Direct the Treasury to maintain the maximum average duration of the core portfolio at the 1.25 to 1.8 year range (no change from last meeting) and the maximum average maturity for the liquidity portfolio at 30 to 100 days (no change from last meeting).
Mike Smith, Investment Officer
8. **Briefing:** Interfund Borrowing for August 2008
 - Automated Lending & Borrowing. County Tier 2 Funds – Interest on Interfund Loans (page 34)
 - Pooled Tier 1 County Funds with Negative Cash Balances (pages 35-36)
 - Excluded County Funds with Negative Balances - Tier 2 Funds Not Paying Interest (page 37)*Dave Turley, Financial Accounting Supervisor*
 - Interfund Loans Among Non-County Funds (pages 38-39)
 - Interfund Borrowings – EFC Approved Loans (page 40)*Mike Smith, Investment Officer*
9. **Executive Session:** Discussion of potential litigation with legal counsel (RCW 42.30.110, (1)(i).)

OTHER BUSINESS

ADJOURNMENT

MINUTES
EXECUTIVE FINANCE COMMITTEE
August 28, 2008

The Executive Finance Committee (EFC) Meeting was held August 28, 2008 at 1:30 p.m.

Members Present

Bob Cowan
Ken Guy
Jim Buck

Others Present

Kevin Fuhrer, Covington WD
Debbie Prior, Highline WD
Douglas Phonsavanh, PSCAA
Toni Lally, Auburn SD
Linda Glenicki, KC Library

Others Present (Continued)

Caroline McShane
Mamie Marcus
Pete Anthony
Dave Turley

Others Present (Continued)

Hall Walker
Scott Matheson
Mike Smith

Members Absent

Larry Phillips

ACTION ITEMS

1. **Minutes** – The Committee approved the Minutes of the July 24, 2008 EFC meeting.
2. **Amendment to the Impaired Investment Policy** – The Committee approved the motion to update the Impaired Investment Policy as presented.
3. **Investment Direction** – The Committee approved the Treasury recommendation to maintain the maximum average duration of the core portfolio at the 1.25 to 1.8 year range and maintain the maximum average maturity for the liquidity portfolio at 30 to 100 days.

BRIEFINGS

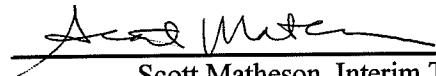
1. **Update on Impaired Investments** – The Committee was briefed on the status of the two impaired commercial paper programs that have not yet had their restructuring auctions. The Committee was informed that the Mainsail auction was scheduled for September 18, 2008, but that there was no firm indication on when Victoria's auctions would occur. However, the expectation is still that the auction for Victoria will occur sometime before year-end. Staff will update the Committee on Victoria as information is received. The Committee was also informed that updated information on the Cheyne and Rhinebridge restructurings would be distributed later in August or after Labor Day.
2. **Update on Action Plan, Motion No. 12796** – The Committee was briefed on the Interbranch Workgroup's action plan. The Committee was informed that custodian and accounting issues would be discussed at the next EFC meeting and that investment policy questions should be addressed in October. The Committee was informed that several items on the action plan have been addressed such as hiring Cairn Capital and bifurcating the pool. The Committee also reviewed the proposal concerning advisory membership on the EFC and received input from the attending districts.
3. **Snoqualmie Valley Hospital** – The Committee was informed that the hospital district had sold the hospital building at its current location to a local Indian tribe, but that they would not receive the sales proceeds until 2010. The hospital district intends to build a new hospital with the sales proceeds at a new location. The hospital will be obtaining a line-of-credit from a local bank for about \$3 million next week, and when these funds are received the district's negative balance with the county should be corrected.
4. **Interfund Borrowing** – The Committee was provided a review of interfund borrowings during July 2008.
5. **Investment Review for July 2008** – The Committee was provided a review of investment performance, activity, and the distribution of investment holdings by maturity, security type, credit rating, and issuer. Analysis of actual versus budgeted amounts for Pool earnings and fees were reviewed. Reverse repurchase activity for the month was also reviewed, and the Committee was briefed on the current interest rate and economic environment.

EXECUTIVE SESSION

No Executive session was necessary.

OTHER BUSINESS

None



Scott Matheson, Interim Treasury Manager



King County

Wastewater Treatment Division
Department of Natural Resources and Parks
King Street Center
201 South Jackson Street
Seattle, WA 98104-3855

September 10, 2008

TO: The Executive Finance Committee

VIA: Christie True, Division Director, Wastewater Treatment Division

FM: Tim Aratani, Manager, Finance and Administrative Services, Wastewater Treatment Division *2a*

RE: Borrowing Request

The purpose of this memo is to request approval for permission from the Executive Finance Committee for the Wastewater Treatment Division (WTD) to borrow up to \$300 million using the automated interfund borrowing system to provide uninterrupted funding for its capital improvement program (ARMS fund 3611) through February 2009.

In July 2008, WTD received net proceeds of \$319 million for construction from its 2008 revenue bond issue. This was less than the \$416 million originally included in the 2008 financial plan because the size of the bond issue was reduced due to market conditions and because of the need to cash fund bond reserves due to the credit downgrades at MBIA, Inc. and Financial Guaranty Insurance Company. (These companies issued the insurance policies on WTD's bond reserves that are no longer considered investment grade.) The budgeted transfer from the Water Quality Operating fund to the Water Quality Capital program of \$10 million also funded bond reserves instead of construction. It is now anticipated that the next bond issuance will take place in late January with funds received in late February. The interfund borrowing requested will provide bridge funding until the next round of bond issuance. WTD is currently reviewing closely debt financing options for 2008/2009 and the impact these will have on the current financial plan.

09/12/2008

WTD is

The borrowed amounts will be repaid from the proceeds of the issuance of sewer revenue bonds. Based on WTD's 2009 rate forecast of capital expenditures for 2008 of \$457 million and of \$487 million for 2009. We anticipate spending on a levelized basis an additional \$38 million per month through the end of 2008 and a levelized \$41 million per month through 2009.

Thank you for consideration of this request.

cc: Theresa Jennings, Director, Department of Natural Resources and Parks (DNRP)
John Bodia, Chief Financial Officer, DNRP
Christie True, Division Director, Wastewater Treatment Division, (WTD), DNRP
Maryann Ness, Financial Services Administrator, WTD, DNRP

PAGE 03

09/12/2008

03

Options for an Investment Pool Advisory Committee

September 22, 2008

Introduction

In June 2008, the County Council adopted Motion No. 12796 which focused on specific actions to improve the governance, infrastructure, goals/metrics, and external relations of the County's investment pool. Within the governance area, the Motion called for an immediate action and the consideration of long term modifications to the Executive Finance Committee (EFC) as follows:

Immediate Action: Immediately develop a plan for including advisory representation on the EFC from non-county participants. This action was assigned to the EFC.

Long Term Modifications: Advise on longer term modifications to the governance structure of the EFC as proposed by the council's Investment Pool Advisory Panel, including the Panel's specific proposal for an independent board of county and non-county representatives and three appointed investment professional. This action was assigned to the Interbranch Work Group, a team of legislative and executive branch staff created by Motion 12796.

This briefing paper describes two options for forming an Investment Pool Advisory Committee ("Advisory Committee") based on an initial proposal discussed by the EFC at its August meeting and recent work completed by the Interbranch Work Group and its consultant, Main Street Capital Advisors ("Main Street").

For both options, the basic purpose of the Advisory Committee remains the same: *to provide input to the EFC in regards to investment policies, strategies, practices, fees and internal controls.* Committee members would also be expected to help disseminate critical EFC information to their fellow districts and provide occasional briefings to their respective officials.

Background

The investment pool is currently governed by the EFC. The EFC members are the county executive (who delegates to the county administrative officer), the budget director, the finance director and the chair of the county council. As a charter county, King County directs and provides fiduciary oversight to the investment pool via the EFC. The EFC, in conjunction with the County Executive, carry out the provisions of State law relative to the custody and investment of public funds.

Given the current state laws, any change in the composition or structure of the EFC would require a change in state law. Notwithstanding these statutory constraints, the county is seeking a means to encourage additional participation and communication regarding the operation of the investment pool. The appointment of an advisory committee is viewed as the most straight-forward means of accomplishing this goal without changing the state-mandated authority and fiduciary duties of the EFC.

Options for an Investment Pool Advisory Committee

September 22, 2008

The EFC has developed a plan for immediate action which is reflected as Option A in this briefing paper. The EFC was planning to launch its plan October 1st while waiting for the council to act on the long term structural recommendations forthcoming from the Interbranch Work Group.

During the past month, an additional option has surfaced based on the work of the Interbranch Work Group and its consultant (Option B). This option could address the immediate need for non-county advisory representation, as well as establish a long term framework for both county and non-county representation. Given that this option has merit for the short and long term, it is prudent to carefully review it now and then decide on the best course of action for the county to launch in October.

When reviewing the potential composition of an Advisory Committee, it is helpful to have an understanding about the type of districts and funds that comprise the county investment pool. There are currently 101 non-county or "outside" participants in the pool. The following table lists the number of participants in each major district category and the average percentage of funds held by category.

District Category	Number	Percent of Pool \$ (Using 2007 Average Cash Balances)
School	20	42.8%
Fire	23	2.5%
Sewer&Water	33	8.3%
Other	25	10.5%
Total Districts	101	64.1%
King County Funds	250 (funds)	35.9%
Grand Total Pool		100%

Option A—EFC Proposal

To expressly address the immediate action item called for in Motion 12796, the EFC reviewed a draft plan at its regular meeting in August and solicited the input of non-county pool participants attending that meeting. The EFC's goal was to vote on the plan in September and then begin implementation in October.

The EFC proposal results in a manageable small group with representation from each "district category" in the pool. The elements of the plan call for 6-member advisory committee as shown in the table below. School districts have two representatives rather than one because they collectively have funds which comprise over 40 percent of the pool.

Options for an Investment Pool Advisory Committee

September 22, 2008

Member	Number	Status	Affiliation	Appointment
School Districts	2	2 years rotating, with reappointments allowed	Non-county	Puget Sound Educational Services District (PSESD)
Fire Districts	1	2 years rotating, with reappointments allowed	Non-county	King County Fire Commissioners Association
Water and/or Sewer Districts	1	2 years rotating, with reappointments allowed	Non-county	Washington Association of Sewer and Water Districts (WASWD)
At-large (recommended by EFC)	2	2 years rotating, with reappointments allowed	Non-county	EFC would review letters of interest and make appointments, with at least one representing the "other" district category from table in background section above.
Total	6			

As noted in the table, King County's at-large selections would attempt to achieve balanced representation in terms of size and type of other districts on the Advisory Committee. Advisory Committee members would be expected to attend monthly EFC meetings and offer their views and comments at the meetings. There would also be occasional working sessions of the Advisory Committee during the year regarding topics that require more in-depth review in a focus-group setting, e.g., review of new investment policies. King County would provide the staff support for these working sessions.

Members would be appointed to two year terms and could be reappointed for new terms at the discretion of the appointing bodies. The county would suggest that the two school district representatives be appointed from different sized districts with one member reflecting a district over 10,000 students in enrollment and one under this threshold. This is only suggested criteria and all of the appointing authorities listed in the table would have complete discretion regarding how to select their representatives.

Any pool participants, regardless of whether they are members of the Advisory Committee, would continue to be invited to regular EFC meetings.

Option B—Tentative Proposal from Interbranch Work Group

The Interbranch Work Group has discussed the EFC's initial recommendation for an Advisory Committee and has reviewed advice from Main Street. The Interbranch Work Group suggests that it may be less confusing and ultimately more efficient to move

Options for an Investment Pool Advisory Committee

September 22, 2008

toward a permanent advisory structure now, which combines both county and non-county participants, rather than set-up a temporary interim structure with only non-county participants.

The Interbranch recommendation includes all of the non-county representatives from the EFC's Option A plus three additional county members: the county's Treasury Manager and two other county fund managers. This mix of representation is more reflective of the overall mix of funds in the pool which is about 36 to 40 percent county funds and the remainder as outside funds. The addition of one investment professional, as recommended by Main Street's, also adds to the expertise of the committee and keeps the overall size of the group manageable. The recommended composition is shown in the table below.

Member	Number	Status	Affiliation	Nomination, Appointment and Confirmation
Treasury Manager	1	permanent	county	n/a
School Districts	2	rotating	Non-county	Puget Sound Education Services District nominates; Executive appoints; Council confirms.
Fire Districts	1	rotating	Non-county	Washington Fire Commissioner Association nominates; Executive appoints; Council confirms.
Water and/or Sewer Districts	1	rotating	Non-county	Washington Association of Water and Sewer Districts nominates; Executive appoints; Council confirms.
At-large (recommended by EFC)	2	rotating	Non-county	EFC nominates; Executive appoints; Council confirms
County Fund Managers	2	rotating	Non-county	Same as above
Investment Professional	1	rotating	Non-county	Same as above
Total	10			

Note that Main Street had also recommended the addition of a private citizen to the Advisory Committee to provide a general taxpayer perspective. The citizen would have experience in public investing but not be connected to an investment firm or broker/dealer. The Interbranch Work Group had tentatively left this position off the list in order to keep the size of the Advisory Committee at 10 or less and felt that the investment professional could also be a King County citizen and thus provide this same citizen perspective.

Options for an Investment Pool Advisory Committee

September 22, 2008

The Advisory Committee would be staffed by the County and have regular quarterly meetings and occasional special meetings that would be separate from regular EFC meetings. The Committee would designate a chair and vice chair who would report back to the EFC at their regular meetings.

This structure would allow Committee members to have their own dialogue separate from EFC meetings, while also conveying a collective view back to the EFC. Any pool participants would, of course, continue to be invited to attend and offer their individual views at regular EFC meetings.

KING COUNTY INVESTMENT POOL CUSTODIAL BANK OPTIONS

September 25, 2008

Introduction

In late 2007, the County Council charged the Investment Pool Advisory Panel to undertake a comprehensive review of the King County Investment Pool. From December 2007 until April 2008, the Panel reviewed the county's investment practices and policies which culminated in a report provided to the council in May 2008. That report recommended a number of changes to the management of the county's investment program. This paper examines the panel's recommendation to consolidate the safekeeping of all investment securities into a single custodial banking account.

Background

Investment purchases involving certificated of deposit (CD's), repurchase agreements (repos), and the State's Local Government Investment Pool are currently the only investments not recorded by the County's safekeeping bank. This section provides a brief history about the safekeeping contract and past practices.

King County entered into its first safekeeping contract at the end of 1985. At that time, the county began using the industry best practice of delivery vs. payment (DVP) in which the custodial bank would transfer funds to the seller only when securities were delivered to them. The initial contract covered all investment purchases with the exception of CD's. By law (RCW 39.58), the county could only invest in non-negotiable certificates of deposit (CD) issued by in-state banks. These CDs are not in book-entry form and could therefore not be delivered to a custody account.

In 1993, the county stopped taking delivery through its custodial bank of the underlying securities backing repurchase agreements (repos). Instead the county began the best practice of using "tri-party repos" in which a third-party custodial bank settles the repo by DVP and monitors the securities to insure that their market value is always at least equal to 102% as required by county policy.

Also in 1993, the State Treasurer established its Local Government Investment Pool and the county has invested in it at times when it was beneficial to do so.

The Panel concluded that if all investment transactions were recorded by a single safekeeping bank that the county could obtain services not possible because of its current safekeeping practices. The Panel's report identified these services as a daily cash sweep, mark-to-market pricing, compliance reporting, and securities lending. The report went on to say that the safekeeping bank could provide comprehensive reporting that the pool currently lacks.

Analysis

While reviewing the panel's recommendation, the Cash Management staff discussed the report's recommendations with Aran King of Union Bank of California (UBOC) and Steve Horman from the Bank of New York (BONY). UBOC has been the county's

KING COUNTY INVESTMENT POOL CUSTODIAL BANK OPTIONS

September 25, 2008

service provider since 2000 and BONY administered the contract prior to that. Those two banks handle the safekeeping of securities for all Washington State public agencies and are familiar with both state investment laws and practices.

To achieve the Panel's goal of having all assets held by a single custodian, the three assets identified above (CD's, repos, and the State pool) would have to be recorded by the safekeeping bank. Ideally this would be accomplished by having the securities delivered to the custodian. But neither the CD's nor the State Investment Pool are deliverable securities.

The bank representatives were asked whether it would be possible to record those items without having a physical security delivered. BONY suggested that this could be done using a memorandum posting and each "security" would be priced at a constant \$1 value for reporting purposes. UBOC said they could do this in a similar manner but noted that the county would have to pay transaction costs as if those securities had been delivered. Based on our 2007 activity levels, this would cost King County an additional \$1,100 in safekeeping fees.

For repos, the county could go back to using DVP for the underlying collateral but it is likely that our safekeeping costs would increase by \$55,000 if we did so. More importantly, our earnings for each repo would be reduced by anywhere from 5 to 15 basis points, based on estimates provided by several securities dealers. Last year the average repo balance was \$1.4 billion so a move to DVP would cost the county between \$700,000 and \$2,100,000 annually. Such a change would also require more staff time to monitor that the market value of the underlying securities meets the county's daily requirement of 102% valuation and to deal with any shortages.

Alternatively, the county could have our safekeeping bank record these repos as a memo posting as with the non-deliverable securities. This would not affect the county's earnings and would only increase the safekeeping expenses by about \$11,000. The difference in costs is that with a memo posting system, the safekeeping bank would only record a single transaction rather than the multiple pieces of collateral that a DVP trade might entail. While memo posting of these transactions would allow the safekeeping bank to provide reporting measurement tools, that same objective could be obtained internally with an enhanced investment system.

The panel's objective of having a single custodial bank can thus be achieved at an additional cost (including potential lost earnings) of between \$12,000 and over \$2 million although in either scenario a portion of the portfolio would be in memo form only. Such a change would also mean additional administrative work for the county. At a minimum, county staff would have to notify the custodial bank of any transactions involving those securities. BONY further suggests that the cash in those transactions could flow through the custodian bank even if the securities do not settle there. This would result in higher wire transfer costs and create another system that would have to be balanced.

KING COUNTY INVESTMENT POOL CUSTODIAL BANK OPTIONS

September 25, 2008

Attachment B provides a diagram of how the different types of security transactions currently settle. Additional administrative steps would have to be added if the county were to follow the Panel's recommendation.

Finance staff closely examined whether changing the way investment transactions are recorded would actually achieve the goals suggested by the Panel. Following is a recap of our findings:

- Automatic cash sweep. The Panel states that changing how the record keeping is done by the county's safekeeping bank would allow use of an automatic sweep to invest any "residual cash". The only time that the county has unexpected cash at the custodian bank is when a trade fails to settle. Legally the county cannot leave cash in a bank that is not a public depository in the state of Washington so we have always required that the safekeeping bank return any funds left in our safekeeping account. A fail only happens a couple of times a year and when it does the funds are returned to the county and are either invested in a money market account or left in our bank account to receive earnings credit at the rate of 110% of the 90-day t-bill rate. UBOC noted that the county's practice is not any different than that of other Washington state public investors. They also mentioned that they could provide us a sweep account if that is something we desire. Given how infrequently a fail occurs and the options already available to us, a sweep account has not been worth establishing.
- Mark-to market pricing. This is a service that UBOC, the county's current service bank, already provides and that we use.
- Compliance reporting. The Panel contends that if all securities, whether deliverable or not, were recorded and tracked by the safekeeping bank that the bank could make sure that all trades adhere to the county's policies and prevent any purchase that would cause any policy limits to be exceeded. Neither UBOC or BONY, the largest custodial bank in the world, have the ability to provide this service. Both said that they do provide monitoring of investment policies but can only let a client know when a purchase exceeds policy limits after the trade has already settled.
- Securities lending. In a securities lending program, the county would allow its safekeeping bank to reverse out its securities and invest the proceeds in a higher yielding security. UBOC provides securities lending to its customers and has proposed this to the county in the past. The county has chosen to use reverse repurchase agreements as an alternative because that allows us to maintain control of the investment decision and because the earnings gained would not have to be split with the custodian bank as would be the case in a securities lending program. But the current safekeeping policy in no way affects the county's ability to utilize this service if it becomes a prudent course of action.

KING COUNTY INVESTMENT POOL CUSTODIAL BANK OPTIONS

September 25, 2008

Recommendation

The Panel stated that the current safekeeping practice created a “fractured reporting environment, creating auditing and reconciliation challenges” without identifying the specific challenges. The Panel suggested that the county was unable to obtain specified services because our custodian bank does not track certain types of investment transactions.

As the analysis above demonstrates, we are making full use of custodial services that provide added value to the investment pool and its members. King County already receives mark-to-market pricing. We could use the sweep account and securities lending services that UBOC already offers, but for the reasons mentioned earlier we have not needed these extra services. The county, however, intends to reexamine the value of using a securities lending program in the future. The compliance reporting outlined in the Panel’s report that would allow the custodial bank to halt a trade before it is executed is not viable given that UBOC and BONY cannot currently offer such a service.

That leaves only the issue about whether recording non-deliverable assets with our safekeeping bank would allow the bank to provide the comprehensive analytical reports. While that is a worthwhile goal, it should be noted that the county already tracks all of the investments in its investment systems. The real underlying need is not to aggregate securities in a single custodial banking account but to improve and integrate the county’s reporting capabilities. The better solution is to upgrade or replace existing systems so that the analytical measurement tools outlined in the Panel’s report could be generated internally and be produced more efficiently.

In summary, the Treasury Division contends that paying our safekeeping bank to track investment transactions that do not settle through them is costly without adding sufficient value to pool members. Most of the primary services identified by the Panel are already available from our current service provider and the other suggested services or reports could be developed internally. We therefore recommend that:

1. The county continue its present safekeeping policy with respect to investments in certificates of deposit, repurchase agreements, and the State’s Local Government Investment Pool.
2. The county evaluate and obtain a state-of-the-art investment system to meet the reporting needs identified by the Panel.
3. The county review and evaluate the advantages / disadvantages of securities lending vs. the current practice of using reverse repurchase agreements. If it is decided that securities lending would be viable for the county, this service could be included in the scope of work for the next safekeeping contract.



The PFM Group

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July 23, 2008

Memorandum

To: Ken Guy, Director, Finance and Business Operations Division, King County, Washington

From: Debbie Goodnight, CPA, Managing Director
John Molloy, CFA, Sr. Managing Consultant

CC: Marty Margolis, PFM Asset Management LLC

Re: Accounting Practices and Custodial Arrangements for Government Investment Pools

A number of observations regarding accounting practices for investment pools were made in the King County Investment Pool Advisory Panel's Report on the King County Investment Pool, dated May 2008. This paper summarizes our discussion of certain of these issues, specifically the differences between and implications of using trade date versus settlement date accounting, adopting SEC accounting practices and the difference between straight line and scientific amortization for securities held in the Pool. We will also touch on the issue of consolidating all assets with a single custodian.

Please note that this paper is meant to deal with these subjects at a high level and highlight some of the major differences between accounting policies depending upon whether the Pool formally adopts a stable Net Asset Value policy ("NAV"), remains a hybrid pool, or develops another alternative such as splitting assets between a stable NAV pool and a variable NAV pool. As this issue is decided, we would be pleased to revisit this topic and provide greater detail on appropriate policies.

Trade Date versus Settlement Date Accounting

The Advisory Panel's report stated the following:

"We recommend that the investment pool adopt trade date accounting to accurately reflect total pool assets, enhance trading opportunities, and enable the pool to obtain the highest quality custodial services." (page 21)

We would also recommend the Pool adopt trade date accounting practices. Trade date accounting is the best practice for investment pools as well as any investment portfolio. In addition to many of the points cited by the Panel, we would add that Generally Accepted Accounting Principals, which most government entities adhere to, require trade date accounting¹. Trade date accounting more accurately reflects the contractual ownership of the security and also reflects the risk that the security presents to the pool.

We recognize that the switch to trade date accounting will encompass some change to the internal processes of the County. Internal reporting will need to be modified to this standard. Most bank custodians (if they are simply holding assets) report their data on a settlement date basis; therefore, a consideration is the method to track and record unsettled trades. The County will need to determine a

¹ GASB Comprehensive Implementation Guide (2006)



method of reconciling daily any discrepancies between the two methods so that portfolio and cash managers will have accurate information on which to base portfolio decisions.

Lastly, further supporting the practice of using trade date accounting, the CFA Institute, in its Global Investment Performance Standards ("GIPS"), requires investment advisors claiming compliance with the Standards to calculate returns using trade date accounting.

Adopt SEC Accounting Requirements and Straight Line Amortization versus Scientific

The Advisory Panel's report stated the following:

"We recommend that the investment pool adopt the accounting practices established by the Securities and Exchange Commission for similar fund types." and "...scientific amortization is preferable to straight-line amortization because it more accurately reflects the movement of securities towards their maturity date. ... Given the improved accuracy of the scientific method, we recommend that the investment pool use scientific amortization." (page 25) (page 25)

The use of different standards in this regard depends upon the objectives of the pool. Should the County determine that the pool will be managed to maintain a stable NAV, then the adoption of the SEC's Rule 2a-7 would be appropriate and the rule will provide the County with a thorough set of guidelines for pool management. In addition to its many provisions, Rule 2a-7 permits the use of straight line amortization. It is important to note however that to manage the pool in a 2a-7 like fashion would necessitate the elimination of the longer term investments currently in the pool. As the Panel cites, a stable NAV fund managed under 2a-7 conditions would limit the weighted average maturity of the pool to 90 days and no security could have a maturity longer than 397 days (with the exception of floating or variable rate securities with certain restriction related to rate reset periods and overall final maturity).

We also note that the Report discussed a weekly marking to market of the value of securities in a stable value pool; this is consistent with Rule 2a-7 as well and we recommend the County adopt this policy. As long as the weekly mark to market result is a \$1.00 (within the tolerances proscribed in 2a-7), then the pool can use amortized cost to value its shares or units on all days.

If the pool were to have any other goal than maintaining a stable value, then the appropriate method for valuing securities would be marking to market, as described in the Panel's report. With the hybrid or variable NAV pool, longer securities would be permitted and daily valuation would be appropriate. Requiring the securities to be carried at market eliminates the need for amortization.

Custodial Bank

The Advisory Panel's report stated the following:

"We recommend that the investment pool consolidate all assets in a single custodian bank." (page 20)

Consolidating all assets with a single custodian may bring all of the benefits described in the Panel's report, such as access to cash sweeps, mark to market pricing, compliance reporting and securities lending. There are however some trade-offs to consider; one of these is the potential for increased cost of custody services. For example, having the pool's CDs settled and "held" by the custodian may increase any asset based and transaction based costs. It may be possible to arrange for the custodian to simply



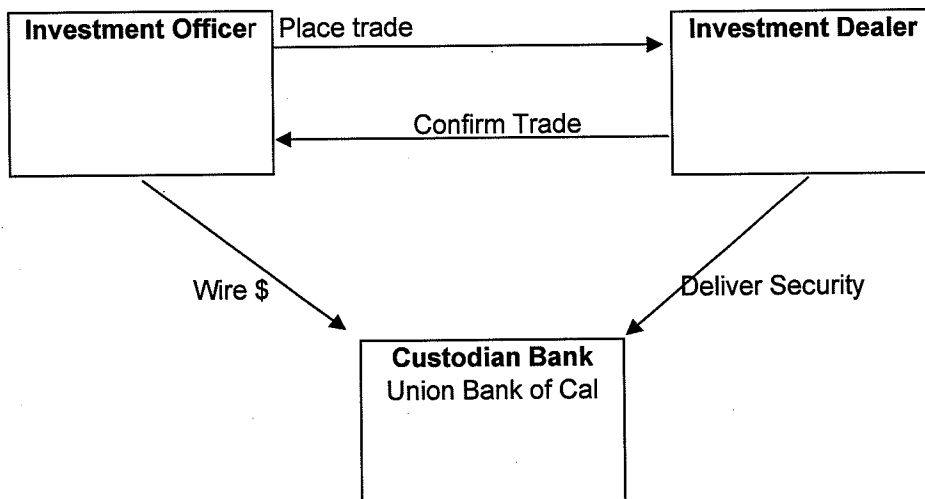
report on these assets at a reduced fee so that the custodian's reporting services can be useful. Additionally, for tri-party repurchase agreements it is not uncommon for the custodian of the collateral securities to be a bank other than the fund's regular custodian. Settlement of tri-party repurchase agreements can effectively be run through the regular custodian though, which can provide enhanced availability of reports on cash balances available for reinvestment.

With the qualification that the County would need be comfortable with its own portfolio accounting systems and pricing methodologies, the consolidation of custody services with one bank would not provide significant efficiencies to the pool. We do see however that having an independent party provide some of these services would be beneficial. Should the County decide that it will strike a daily NAV on the pool, in whatever form it eventually takes, outsourcing the asset and pool pricing functions to a consolidated custodian could be very helpful.

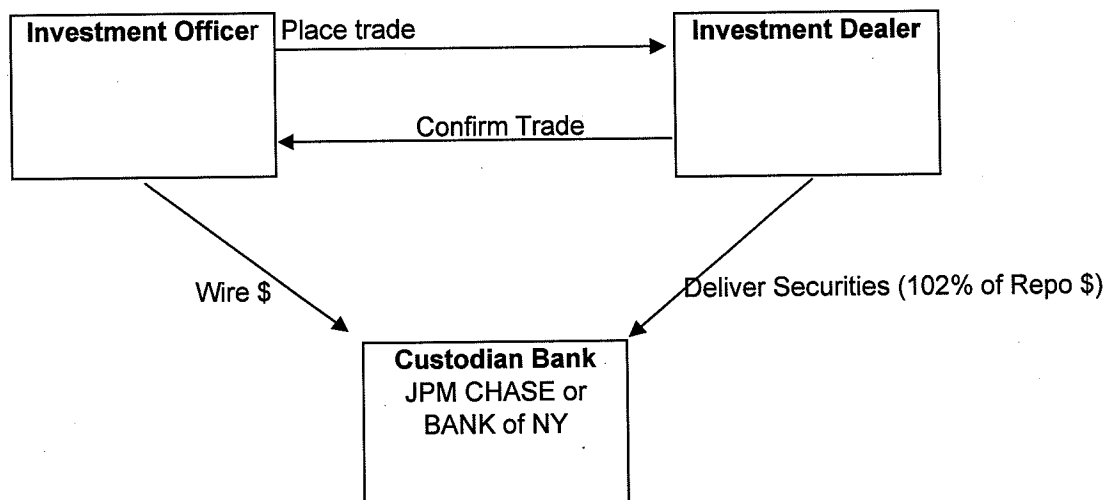
Overall, consolidating assets under a single custodian (with the exception of tri-party repurchase agreements) would provide the County with an efficient way to access the services, especially analytical and pricing services, described by the Panel. Depending upon the County's internal capabilities in these areas, the custodian may be duplicating activities that the County can perform or access in an unbundled fashion.

Attachment B

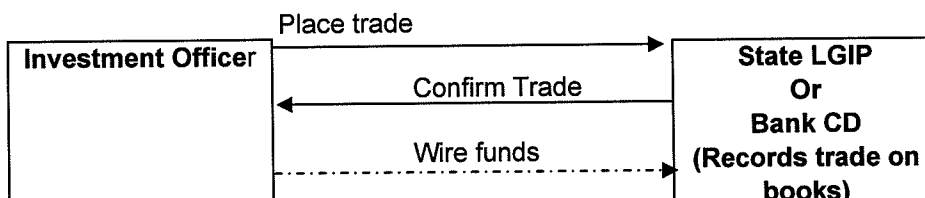
TRADE SETTLEMENT PROCESS FOR TREASURIES, AGENCIES, MUNICIPALS, ETC



TRADE SETTLEMENT PROCESS FOR TRI-PARTY REPOS



TRADE SETTLEMENT PROCESS FOR CDs or STATE POOL REPOS



Report to Investment Pool Work Group on Pool Accounting Practices

DRAFT September 22, 2008

Introduction

The purpose of this document is to fulfill an action item in King County Council Motion 12796 where the Director of the Finance and Business Operations Division (FBOD) is requested to examine the accounting practices of the pool and present a report to the Interbranch Work Group. FBOD is seeking the review and input from EFC members prior to final transmittal to the Interbranch Work Group.

Current Practices

In accounting standards the King County Investment pool is considered a non-2a7 like pool. The term 2a7 originates from the SEC rule that governs private sector money market fund management. A 2a7 like fund would be the equivalent of a privately managed money market fund. The county pool would be considered a hybrid pool with sections for liquidity needs and longer-term investments, and therefore invests funds longer than would be allowed under 2a7.

The following is a summary of King County Investment Pool accounting practices:

External Reporting Practices

- The pool is reported in the county's financial statements at fair value. The difference between fair value and carrying (book) value is reported as an increase or decrease to cash and as investment income or loss. The fair value adjustment is recorded in the County's general ledger at year-end.
- Settlement date accounting is used throughout the year. Should material trades be entered into but not settled at year-end an adjustment would be made for financial reporting purposes.

Pool Management Practices

- Market values in the investment accounting system are updated monthly and reported to districts at the total pool level. The monthly mark to fair value is not recorded in the County's general ledger.
- Income is distributed based on average pool balances during the month.
- Monthly income on investments is distributed on accrual basis.
- Discount or premium on investments is allocated based on straight-line accretion and amortization method.
- Gains or losses on investments are distributed when realized.
- Losses on impaired investments are distributed on average pool balances from date of settlement to date of impairment.

Report to Investment Pool Work Group on Pool Accounting Practices

DRAFT September 22, 2008

The Panel's Findings and Recommendations

The County Council appointed a three member group to review the operations of the county investment pool. The panel was critical of the pool's accounting practices with a summary level finding of inaccurate accounting for participant principal and interest. The panel's finding on inaccurate principle and interest accounting was based on the inclusion of the impaired commercial paper investments in the pool. The panel recommended the pool be bifurcated thereby separately accounting for the impaired investments. (Pages 39-40 Panel Report.)

The panel also cited the pool for not marking to market more frequently, for using straight-line amortization and accretion, and relying on settlement date accounting. Specific Panel recommendations are highlighted below.

Adopt Trade Date Accounting

The panel recommended that the investment pool adopt trade date accounting in lieu of settlement date accounting to accurately reflect total pool assets, enhance trading opportunities, and enable the pool to obtain the highest quality custodial service. (Page 21 Panel Report.)

Adopt SEC Accounting Requirements

The panel recognized that government pools are not subject to Securities and Exchange Commission regulations but recommended adopting SEC accounting and other practices for the pool. (Page 25 Panel Report.)

Amortization and Accretion

The panel recommended that the pool use scientific amortization and accretion. In accounting, scientific amortization is preferable to straight-line accretion and amortization because it more accurately reflects the movement of securities towards their maturity date. (Page 25 Panel Report.)

Governmental Accounting Requirements for the Pool

When considering the panel's findings and recommendations, it is important to have a clear understanding of the governmental accounting requirements for investment pools and transactions.

External Financial Reporting Requirements

Report to Investment Pool Work Group on Pool Accounting Practices

DRAFT September 22, 2008

The Governmental Accounting Standards Board (GASB) issues financial reporting standards for governments. For reporting purposes governmental investment pools are either 2a7 like or not 2a7 like.

The accounting standards for external pools require that investments should be stated at fair value with the following exceptions where investments may report at amortized cost:

- 2a7 like pools *may* report investments at amortized cost
- Non 2a7 pools *may* report investments with maturity dates up to 90 days at amortized cost.

In either case of reporting amortized cost, fair value adjustment must be considered when credit quality or other issues arise.

Pool Operations Accounting

GASB does not regulate pool operations or how a pool chooses to allocate income. Allocation of income would be governed by state law and participant agreements.

The appropriate accounting for the pool will depend upon the final investment goals selected for the pool, and by the maturity of investments selected.

The most common method of municipal pool management is book rate of return or BRR.

The following is an excerpt from Main Street Capital Advisors Second Deliverable-Investment Pool Infrastructure for the Investment Pool Inter-branch Work Group (Page 12):

Benchmarking Methods

There are two main methods of benchmarking fixed-income returns: total rate of return (TRR) and book (or yield) rate of return (BRR). Wall Street's primary benchmarking method is TRR. Municipalities' primary method is BRR. For fixed income portfolios, BRR is calculated by adding interest received and accrued interest plus realized gains and losses, divided by the portfolio's average balance. TRR's calculation includes the same calculations as BRR, but also includes the volatile unrealized gains and losses of a portfolio or its marked-to-market component.

In talking with many municipal investment officers, the vast majority of state and local

Report to Investment Pool Work Group on Pool Accounting Practices

DRAFT September 22, 2008

government portfolios are managed by using BRR. This is primarily due to the budget process of most entities, which desire a relatively uniform generation of earnings. Wall Street generally measures performance on a TRR basis versus a standard benchmark. Total rate of return benchmarks are substantially more volatile than a yield or book rate of return benchmark, due to changes in market prices of bonds...

...Main Street Capital recommends the County utilize a book rate of return method....

Accounting Options for Investment Pool

The appropriate accounting for the pool will depend upon the final investment goals selected for the pool, and by the maturity of investments selected. Recommendations for each type of pool follow:

(1) The pool becomes a money fund (2a7 like)

Financial Reporting

- Use amortized cost with straight-line amortization or accretion with any adjustments needed for credit quality of other issues.
- Realized gains recognized based on amortized cost at time of transaction

Income distribution and participant valuation

- Same basis as financial reporting

Other compliance Issues and Comments

- Trade date accounting should be applied
- Fair value should be evaluated weekly.

(2) The pool or a portion of the pool becomes a separate variable NAV fund

Financial Reporting

- The pool would reported at Fair Value, and follow the same requirements as the current hybrid pool.

Income distribution and participant valuation

- Income distribution would be based on amortized cost scientific basis and with realized gains based on amortized cost at time of transaction.
- Participant accounts would need to be marked to fair value as often as participants are allowed to deposit and withdraw funds.

Other compliance Issues and Comments

Report to Investment Pool Work Group on Pool Accounting Practices

DRAFT September 22, 2008

- Trade date accounting should be applied.
- By definition a variable NAV participant valuations should reflect fair value.

(3) *The pool remains a hybrid pool*

Financial reporting

- The pool would be reported at Fair Value, and follow current methodologies.

Income distribution and participant valuation

- Income distribution would be based on amortized cost scientific basis and with realized gains based on amortized cost at time of transaction.
- If the County continues to follow BRR for income distribution then following BRR for participant valuation is an acceptable practice.

Other compliance Issues and Comments

- Trade date accounting should be applied.
- This type of pool does not fit a private sector model but is common in the public sector. BRR is the recommendation of Main Street Capital, consultant to the Inter- Branch Work Group.
- To avoid long-term fund to fund equity issues careful management is needed—stability is needed in pool participation, fair value fluctuation needs to be monitored and any future impaired assets would need to be segregated.

**INVESTMENT PURCHASES SUMMARY
AUGUST 2008**

OVERNIGHT REPOS

DEALER	BUYS	TOTAL AMOUNT OF REPOS	AVG DAYS	AVG YIELD
CREDIT SUISSE	21	\$2,379,000,000	1.53	2.10%

U.S. AGENCY DISCOUNT NOTES

DEALER	BUYS	TOTAL FACE AMOUNT	TOTAL COST	AVG DAYS	AVG YIELD
BANK OF AMERICA	2	\$ 75,000,000	\$ 74,350,639	124.00	2.57%
FIRST BOSTON	10	355,000,000	354,529,660	20.00	2.42
GOLDMAN SACHS	1	50,000,000	49,703,833	88.00	2.48
LEHMAN BROTHERS	7	282,000,000	280,550,094	69.46	2.70
MERRILL LYNCH	1	34,050,000	33,818,271	100.00	2.50
TOTAL	21	\$ 796,050,000	\$ 792,951,664	54.93	2.59%

TREASURY NOTES

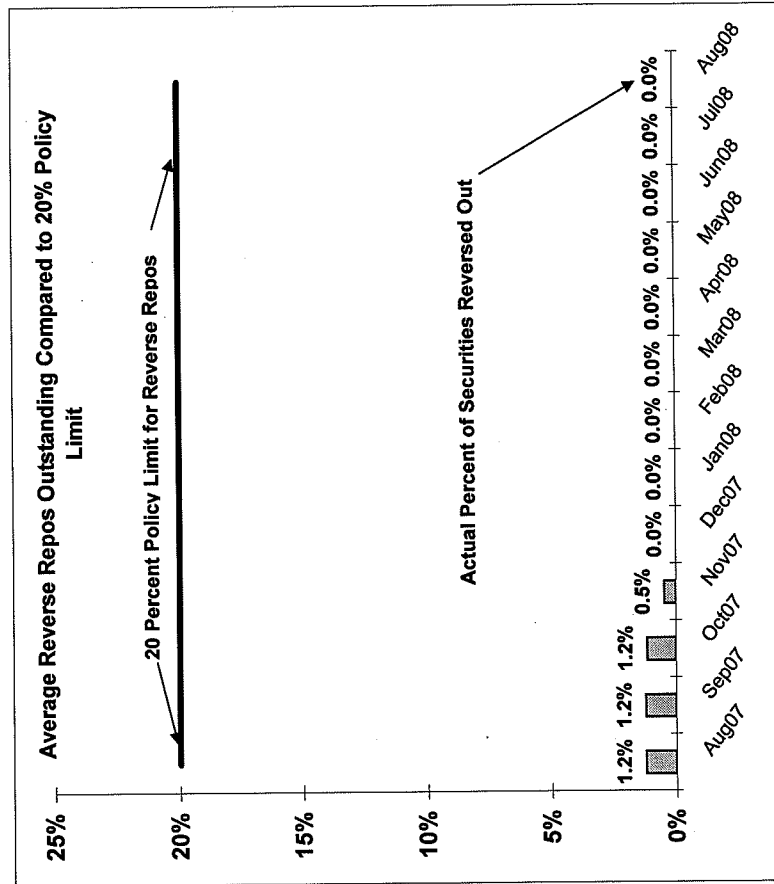
DEALER	BUYS	TOTAL FACE AMOUNT	TOTAL COST	AVG DAYS	AVG YIELD
CREDIT SUISSE	1	\$ 50,000,000	\$ 50,488,791	710.00	2.31%

CERTIFICATES OF DEPOSIT

DEALER	BUYS	TOTAL AMOUNT OF REPOS	AVG DAYS	AVG YIELD
KEY BANK	2	\$ 511,040	60.93	2.26%

REVERSE REPO ANALYSIS
Aug-2008

Reverse	Settlement Date	End Date	Par	Security Detail	Credit Rating	Proceeds	Interest Rate	Proceeds at Maturity
NO NEW ACTIVITY								



RESIDUAL INVESTMENT SUMMARY

DATE: 09/22/2008

Maturity Range	Amount Invested	Percent of Portfolio	Cumulative Percentag	Average Yield
1 - 29 Days	1,067,321,949	27.1%		2.41%
30 - 59 Days	376,230,859	9.6%	36.7%	2.42%
60 - 89 Days	619,805,998	15.7%	52.4%	2.54%
90 - 119 Days	433,456,037	11.0%	63.4%	2.54%
120 - 149 Days	123,702,403	3.1%	66.5%	2.84%
150 - 179 Days	322,436,389	8.2%	74.7%	2.73%
180 - 364 Days	88,154,800	2.2%	77.0%	2.54%
1 - 2 Years	394,405,197	10.0%	87.0%	3.31%
2 - 3 Years	163,587,930	4.2%	91.1%	5.21%
3 - 4 Years	174,976,290	4.4%	95.6%	5.38%
4 - 5 Years	100,000,000	2.5%	98.1%	5.06%
5+ Years	73,756,563	1.9%	100.0%	4.51%
TOTAL	3,937,834,415	100.0%		

Security Type	Amount Invested	Percent Of Portfolio	Limits
Repurchase Agreements	158,000,000	4.0%	40%
Certificates of Deposit	332,273,757	8.4%	20%
State Investment Pool	361,604,714	9.2%	100%
Commercial Paper	0	0.0%	25%
Bankers' Acceptances	0	0.0%	40%
Treasuries	249,679,443	6.3%	100%
Agencies	2,745,184,938	69.7%	75%
Mortgage Backed Securities	73,756,563	1.9%	25%
Municipals	17,335,000	0.4%	20%
TOTAL	3,937,834,415	100.0%	

Average Yield = 2.93%
Average Days to Maturity = 348.99

RESIDUAL INVESTMENT POOL
ISSUER DIVERSIFICATION AND CREDIT EXPOSURE
8/31/08

CDs -- 7.5% PER ISSUER. IDC RATING: 3 OR BETTER	Book Value	% of Portfolio	Credit Agency Ratings (1)			Bank Ratings (2)	
			S&P	Moody's	Fitch	IDC	CAEL SM
Key Bank	102,273,757.00	2.4%	A-1	P-1	F1	1	4
U.S. Bank	100,000,000.00	2.4%	A-1+	P-1	F1+	1	2
Bank of America	50,000,000.00	1.2%	A-1+	P-1	F1+	2	3
Washington Federal S&L	50,000,000.00	1.2%			F1	1	2
Sterling Savings Bank	25,000,000.00	0.6%			F3	2	4
Homestreet Bank	10,000,000.00	0.2%				1	4
COMMERCIAL PAPER -- 5% PER ISSUER. RATED BY 2 AGENCIES; RATING OF AT LEAST A-1, P-1, OR F1.							
Mainsail II LLC	52,950,977.63	1.3%	NR	NP			
Victoria Finance LLC	51,937,148.61	1.2%	D	NP			
Rhinebridge LLC	2,269,200.00	0.1%	D	NR	D		
Cheyne Finance LLC	507,750.00	0.0%	D	NP			
REPURCHASE AGREEMENTS -- 10% PER ISSUER							
Credit Suisse LLC	110,000,000.00	2.6%	A-1+	P-1	F1+		
INVESTMENT POOLS -- 100% PER ISSUER							
Washington State Treasurer's LGIP	360,879,768.61	8.5%					
U.S. GOVERNMENT (Full Faith & Credit) -- 100% PER ISSUER							
U.S. Treasury Obligations	249,664,888.49	5.9%	AAA	Aaa	AAA		
MUNICIPAL OBLIGATIONS (Taxable) -- 5% PER ISSUER. CREDIT RATING OF AT LEAST "A"							
City of Phoenix, AZ	15,000,000.00	0.4%	AAA	Aa1			
Westchester County, NY	2,335,000.00	0.1%	AAA	Aaa	AA+		
FEDERAL AGENCY OBLIGATIONS (GSEs) -- 50% PER ISSUER							
Federal National Mortgage Association (FNMA)	953,284,486.06	22.5%	AAA	Aaa	AAA		
Federal Home Loan Mortgage Corporation (FHLMC)	937,337,964.92	22.2%	AAA	Aaa	AAA		
Federal Home Loan Bank (FHLB)	874,670,445.64	20.7%	AAA	Aaa	AAA		
Federal Farm Credit Bank (FFCB)	282,791,193.89	6.7%	AAA	Aaa	AAA		
	4,230,902,580.85	100.0%					

(1) The table in the lower-right corner gives the range of investment grade credit ratings.

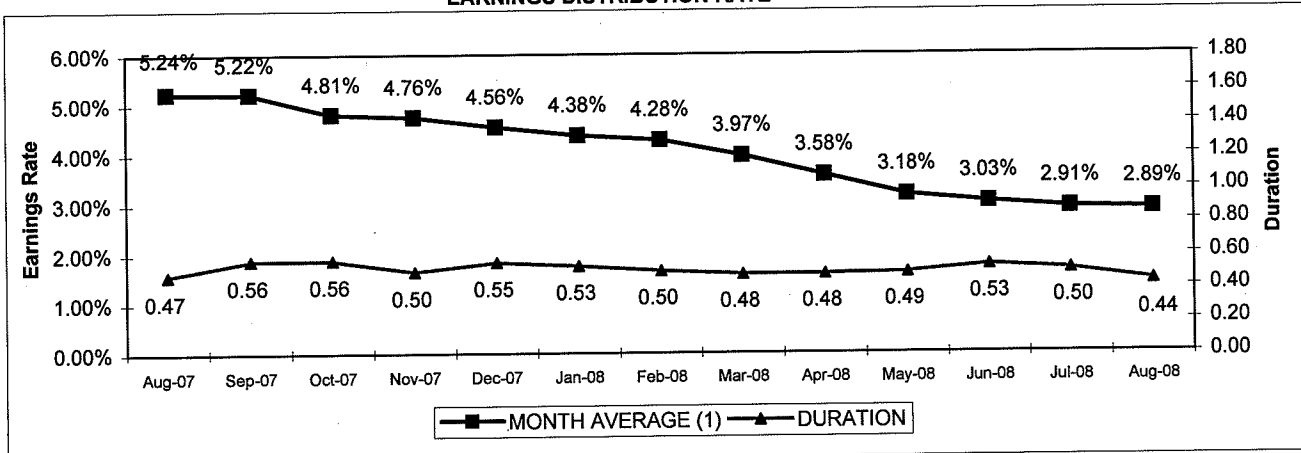
(2) IDC Bank ratings are provided by IDC Financial Publishing: 1=Superior, 2=Excellent, 3=Average, 4=Below Average, 5=Lowest. Safe & Sound CAEL is a bank rating service provided by Bankrate.com: 1=Superior, 2=Sound, 3=Performing, 4=Below Average, 5=Weak.

Note: (NW) equals negative credit watch & (NO) equals negative outlook.

Overview of Rating Agency Credit Scores				
	Short-term Investment Grade		Long-term Investment Grade	
	Highest	Lowest	Highest	Lowest
S&P	A-1+	A-3	AAA	BBB-
Moody's	P-1	P-3	Aaa	Baa3
Fitch	F1+	F3	AAA	BBB-

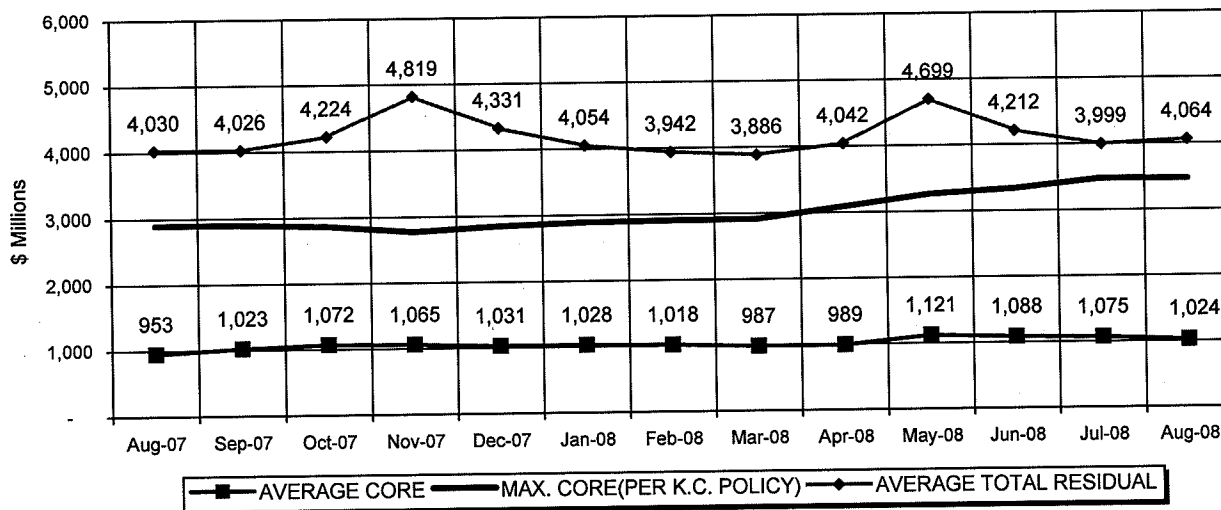
TOTAL RESIDUAL FUND

EARNINGS DISTRIBUTION RATE



(1) Not adjusted yet for realized losses on commercial paper investments.

AVERAGE BALANCE



CX FUND YTD INTEREST EARNINGS August 31, 2008

	BUDGET (1)	ACTUAL	DIFFERENCE
YTD AVG BALANCE (millions)	\$235	\$228	(\$7.1)
YTD YIELD	3.66%	3.45%	-0.21%
INTEREST DISTRIBUTION (\$)	\$5,735,676	\$5,237,701	(\$497,975)
AUTOMATIC INTEREST (\$)	\$0	\$61,186	\$61,186
TOTAL INTEREST (\$)	\$5,735,676	\$5,298,887	(\$436,789)

YTD POOL FEE REVENUE

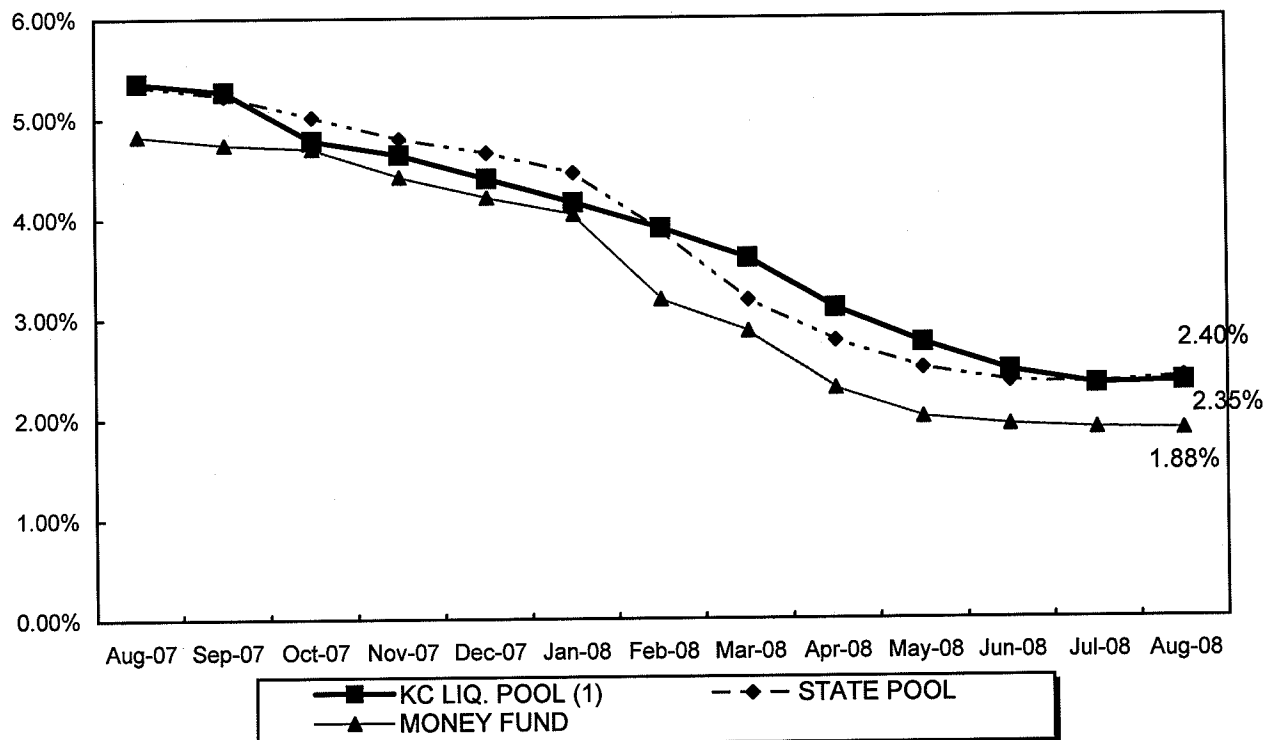
	BUDGET	ACTUAL	DIFFERENCE
POOL FEE DUE TO CX	\$3,776,667	\$3,804,298	\$27,631
POOL FEE DUE TO FBOD	\$100,000	\$84,511	(\$15,489)
TOTAL YTD POOL FEES	\$3,876,667	\$3,888,809	\$12,142

YTD TOTAL POOL DISTRIBUTION	\$96,539,335
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(1) Average budgeted yield for the entire year is 3.48% (simple average).

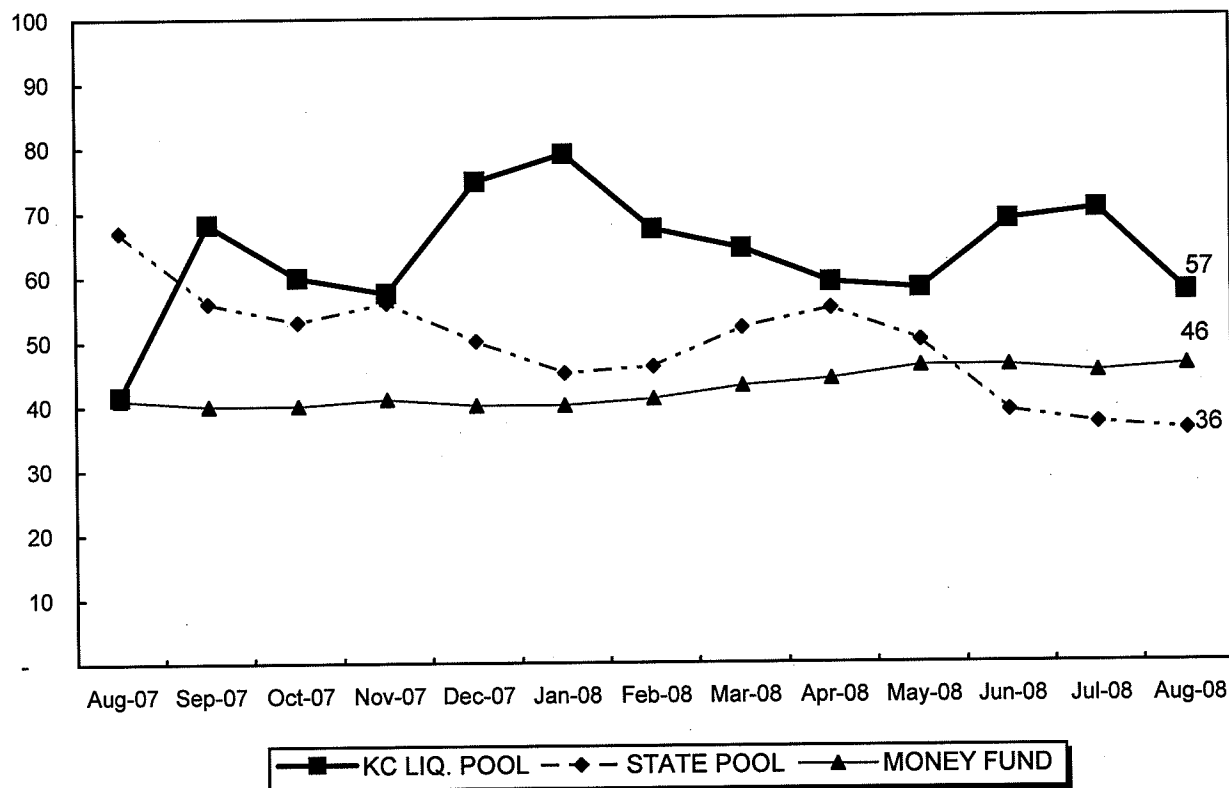
LIQUIDITY POOL

COMPARATIVE EARNINGS RATES



(1) Not adjusted yet for realized losses on commercial paper investments.

COMPARISON OF AVERAGE DAYS TO MATURITY



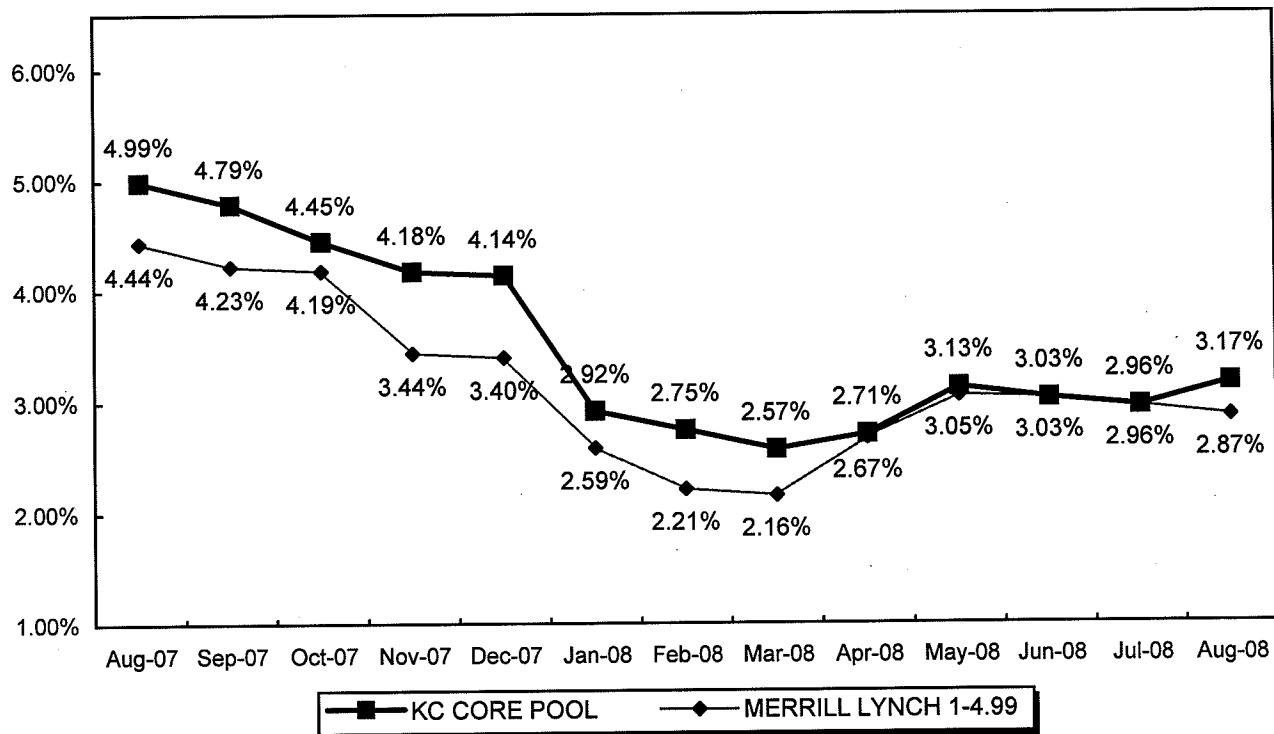
Sources:

Money fund data: IBC/Donoghue Money Fund Report Averages seven day money market fund indexes.
 State Pool data: Monthly State of Washington Local Government Investment Pool report.

"Public Investor".

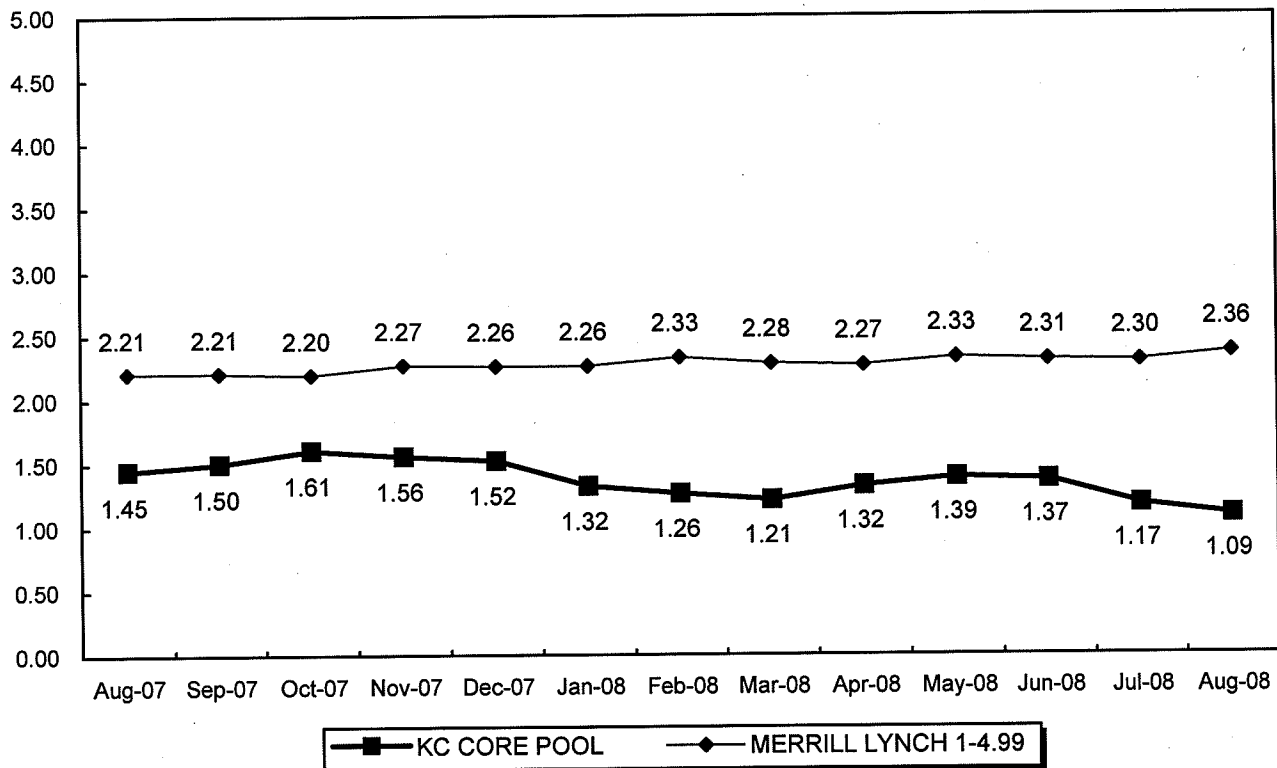
CORE POOL

COMPARATIVE MONTHLY MARKET YIELD RETURNS



Core portfolio rate is reported as market yield, not accrual basis, and therefore the liquidity rate and core rate may not equal pool distribution rate.

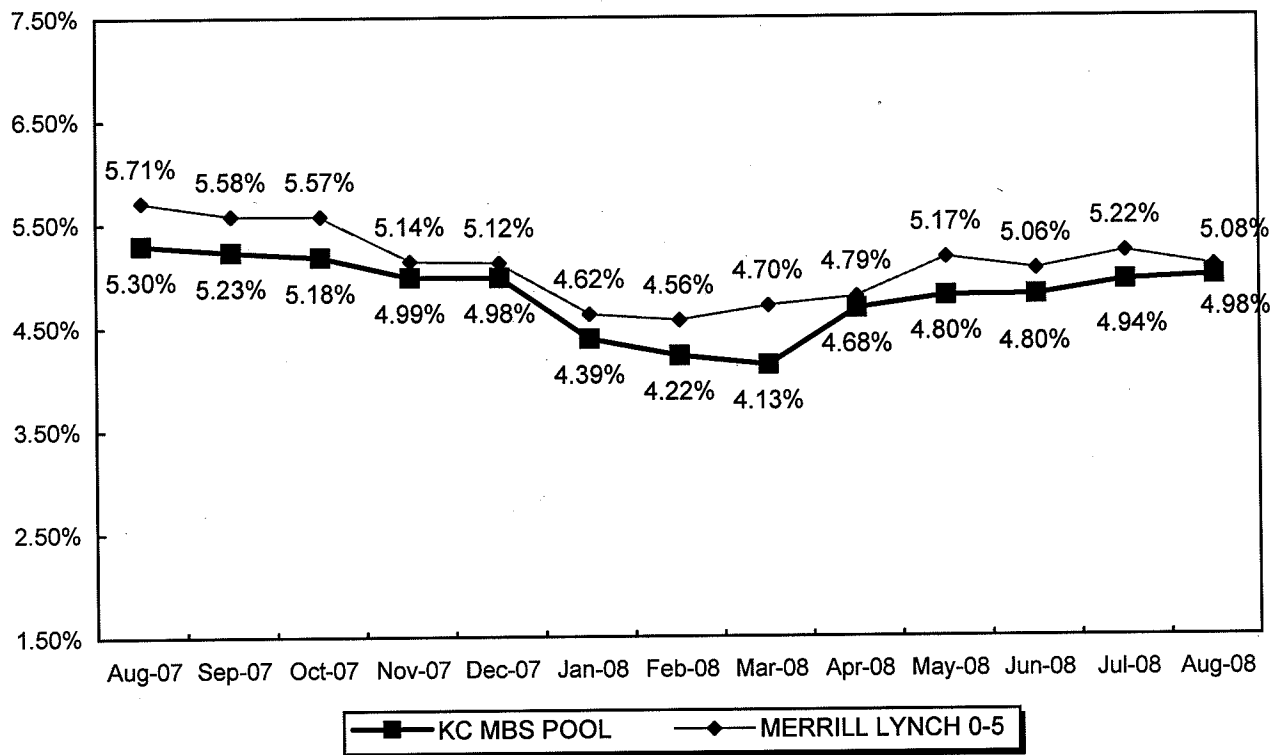
COMPARISON OF AVERAGE DURATION



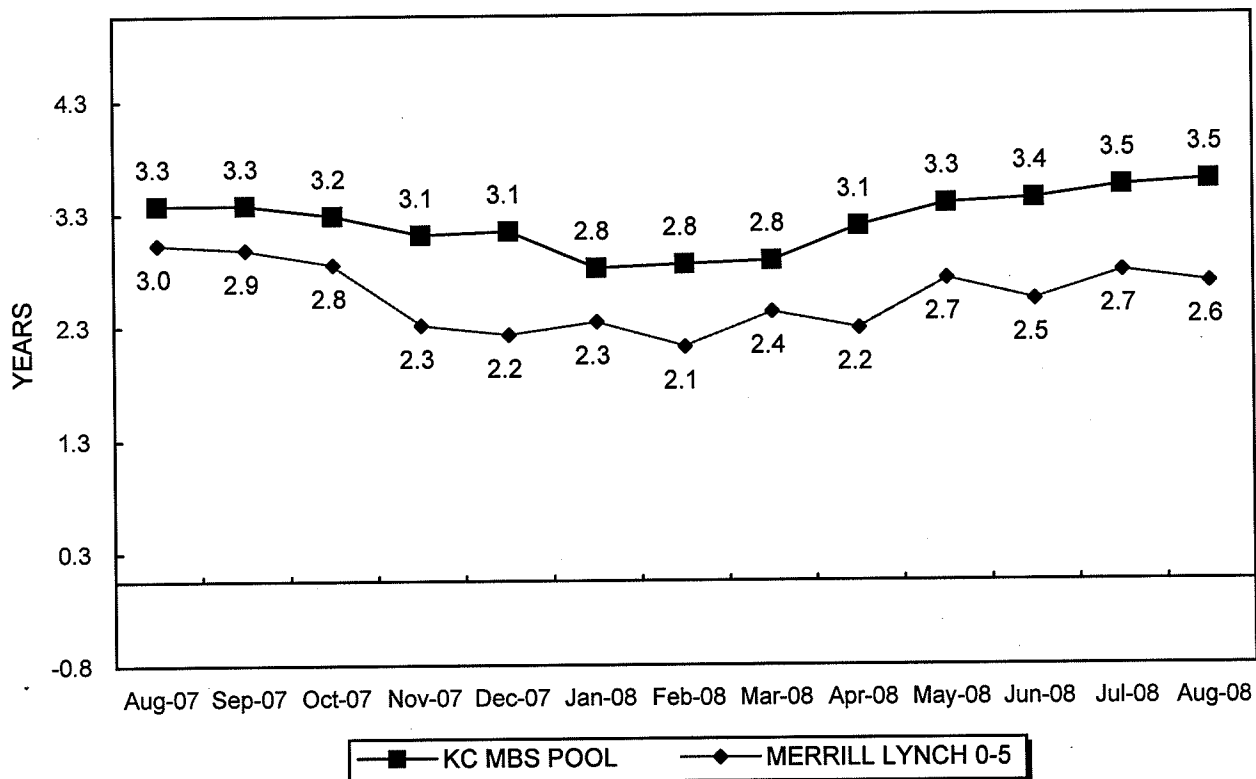
Source: Merrill Lynch index: Bloomberg Financial Markets

MORTGAGE-BACKED POOL

COMPARATIVE MONTHLY MARKET YIELD RETURNS



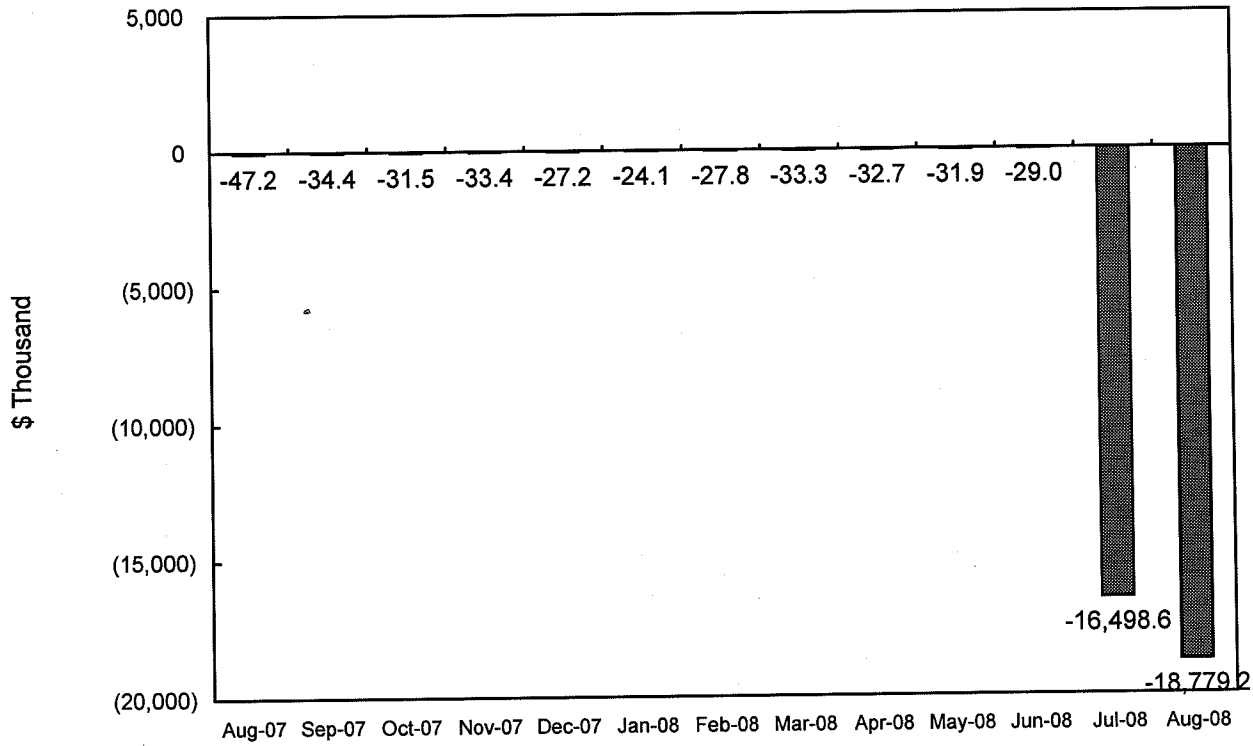
COMPARISON OF AVERAGE DURATION



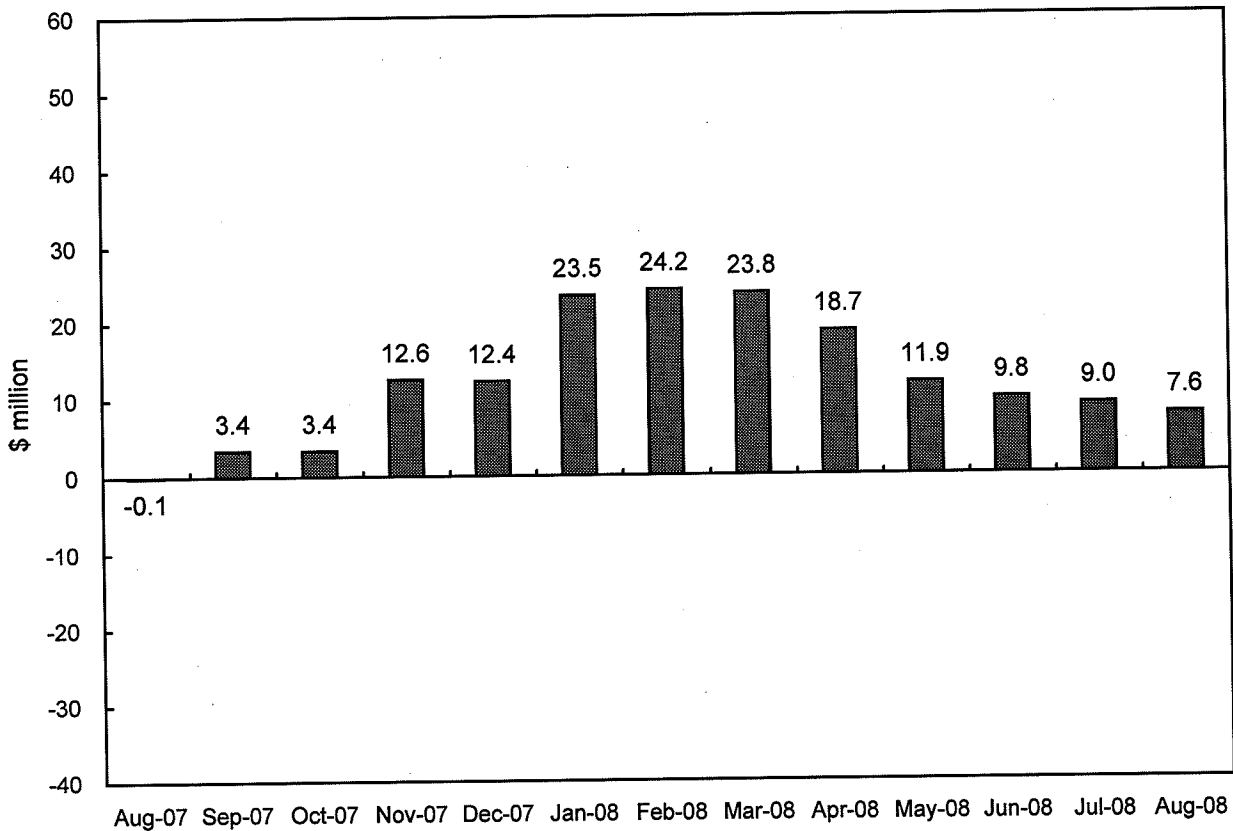
Source: Merrill Lynch index: Bloomberg Financial Markets

GAIN / LOSS SUMMARY

RESIDUAL FUND: TOTAL REALIZED GAIN OR LOSS



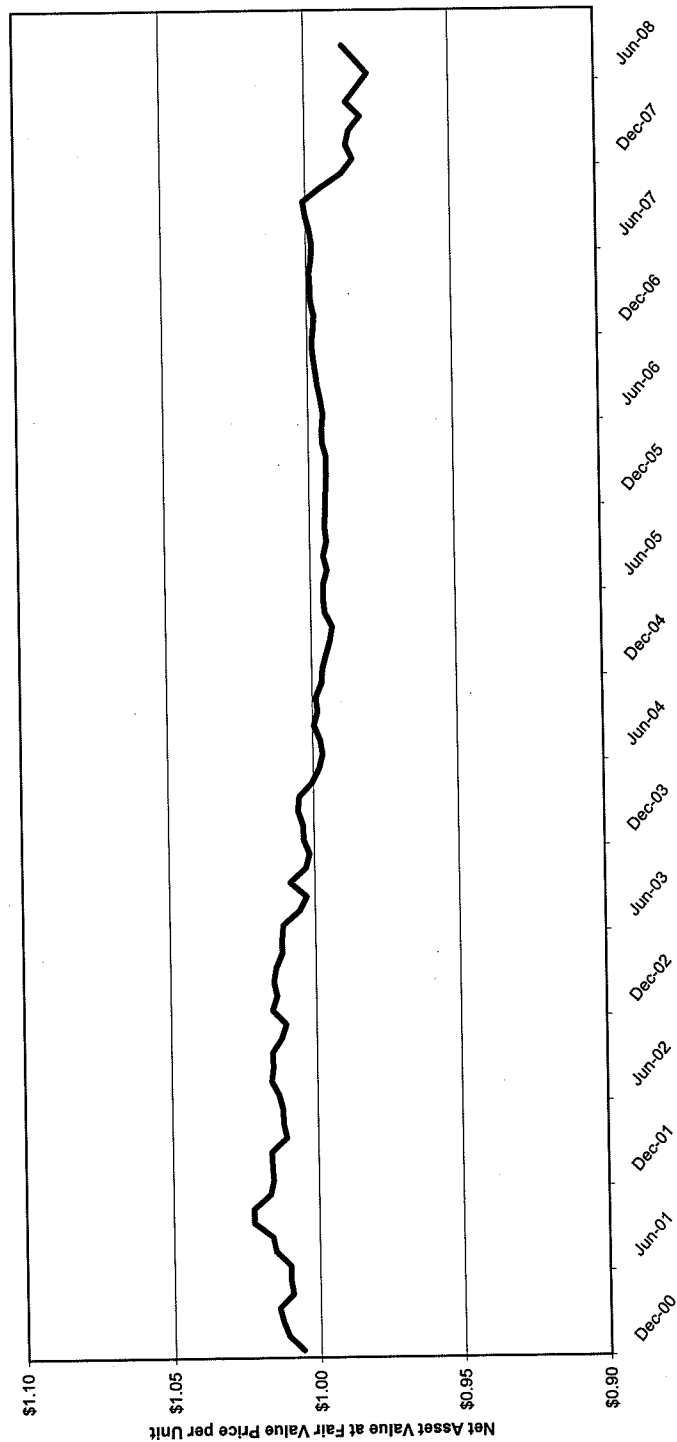
NET UNREALIZED GAIN OR LOSS (CORE PORTFOLIO ONLY)



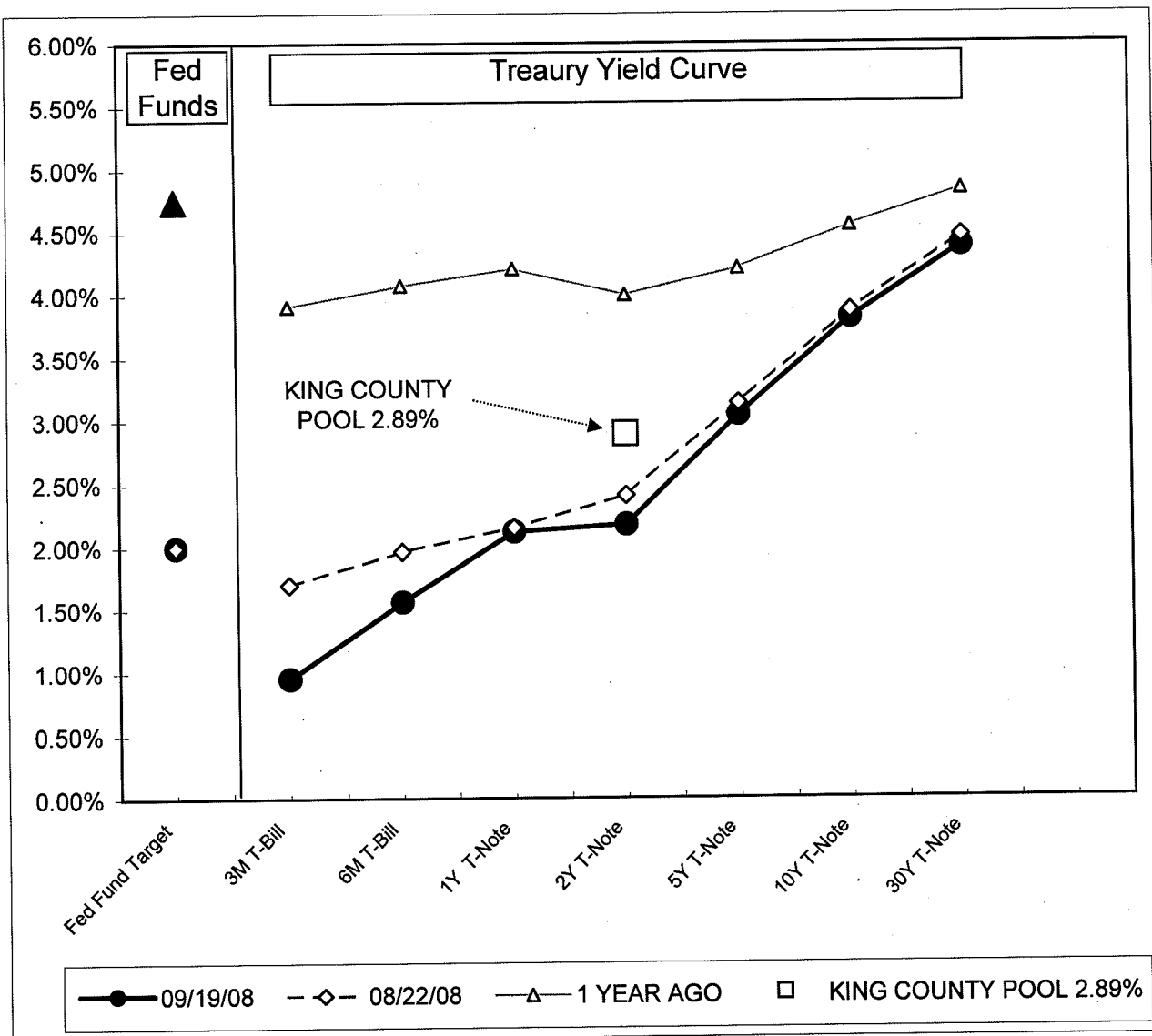
King County Investment Pool Fair Value Report

	06/30/08	07/31/08	08/31/08
Net Assets			
Net Assets held in trust for pool participants	\$ 4,126,947,186.73	\$ 3,973,113,833.20	\$ 4,187,405,132.08
Net assets consist of:			
Participant units outstanding (\$1.00 par)	\$ 4,219,209,137.49	\$ 4,044,187,628.44	\$ 4,242,956,000.69
Undistributed and unrealized gains(losses)	\$ (92,261,950.76)	\$ (71,073,795.24)	\$ (55,550,868.61)
Net Assets	\$ 4,126,947,186.73	\$ 3,973,113,833.20	\$ 4,187,405,132.08
Total Pool -- Net asset value at fair value price per unit	<u>\$0.9781</u>	<u>\$0.9824</u>	<u>\$0.9869</u>
Pricing Breakdown on Sub Portfolio Basis			
Non-impaired net asset value at fair value price per unit	\$1.0022	\$1.0021	\$1.0017
Impaired net asset value at fair value price per unit	\$0.4645	\$0.4872	\$0.4294

King County Investment Pool
History of Fair Value per Dollar Invested



INTEREST RATE SUMMARY



	09/19/08	08/22/08	1 YEAR AGO
Fed Fund Target	2.00%	2.00%	4.75%
3M T-Bill	0.96%	1.70%	3.91%
6M T-Bill	1.56%	1.97%	4.08%
1Y T-Note	2.12%	2.15%	4.21%
2Y T-Note	2.18%	2.41%	4.00%
5Y T-Note	3.04%	3.14%	4.21%
10Y T-Note	3.81%	3.87%	4.55%
30Y T-Note	4.38%	4.47%	4.84%

PACKET PAGE: 6		PAGE 1		RUN 09/15/08		
REPORT ARM650-4		RECAP BY FUND				
FUND	AVG BORROWED	AVG LOANED	INTEREST ON INTERFUND	LOANS	INTEREST-PAID	INT-RECEIVED
00-000-001-0		72,909.37		2,260,190.42		178.98
00-000-120-0	11,016.44		341,509.66		27.07	
18-001-553-0	61,892.93		1,918,680.76		151.91	
REPORT TOTAL	72,909.37	72,909.37	2,260,190.42	2,260,190.42	178.98	178.98

CURRENT EXPENSE SUB-FUND
TREASURERS O & M
IBIS PAYROLL CLEARING

FUND	DATE	FUND DESCRIPTION	LOWEST CASH	AVERAGE CASH
00-000-103-0	08-28-08	COUNTY ROAD FUND	2,083,784.09-	33,023.47-
00-000-117-0	08-13-08	ARTS & CULTURAL DEV FUND	3,220.79-	423,899.91
00-000-121-1	08-31-08	SURFACE WATER MGT FUND	677,545.85-	204,063.57-
00-000-137-1	08-01-08	CLARK CONTRACT ADMIN	14.24-	14.24-
00-000-156-1	08-31-08	KC FLD CNTRL ZNE OPER	1,254,344.42-	1,108,835.59-
00-000-159-1	08-31-08	KC MARINE OPER	105,898.06-	8,240.91-
00-000-215-2	08-13-08	LLEBG 2000LBBX2760 GRANT	71.31-	55.73-
00-000-313-0	08-13-08	CLINIC CONSTRUCTION FD-88	1.13-	1.11-
00-000-316-9	08-13-08	OPEN SPACE ACQ 97 EXCESS	41.72-	36.82-
00-000-319-0	08-13-08	YOUTH SERV DET FAC CONST	.32-	.31-
00-000-320-7	08-13-08	1% FOR ART 93B XCESS EARN	1.48-	.79-
00-000-327-9	08-01-08	EQPT/BLDG ACQ 91 XCS EARN	36.24-	36.24-
00-000-331-0	08-29-08	LONG-TERM LEASES	1,193,988.19-	417,863.66
00-000-331-1	08-13-08	ARBITRAGE LBLTY FND 3240	.04-	.03-
00-000-331-2	08-13-08	ARBITRAGE LBLTY FND 3250	.68-	.59-
00-000-334-3	08-13-08	LAFAYETTE BDG ACQ 1993	.07-	.07-
00-000-334-5	08-13-08	CHLDN THTR/PNW BALLETT1993	.16-	.15-
00-000-334-8	08-13-08	INF SYST XCESS EARN	89.72-	48.42-
00-000-340-8	08-13-08	PARK LAND ACQ 93B XCSS EA	15.01-	8.10-
00-000-341-6	08-13-08	CULTURAL INIT 97 EXCESS E	29.40-	25.21-
00-000-341-8	08-13-08	ART&HIST PRES 93B XS EARN	29.53-	15.93-
00-000-343-9	08-13-08	GIS EXCESS EARNINGS	41.94-	22.63-
00-000-344-9	08-13-08	Y2K S/W ENHANCE 97 EXCESS	8.97-	8.15-
00-000-352-2	08-29-08	OS KC NON BND FND SUBFUND	952,944.59-	25,583.58-
00-000-352-3	08-13-08	LTGO BAN REDMPTN 2004B	219.67-	199.51-
00-000-357-1	08-31-08	KC FLD CNTRL ZNE CONST	4,024,933.47-	3,870,120.59-
00-000-361-1	08-13-08	WATER QUALITY CONST-UNRES	212,799,273.20-	89,396,891.53-
00-000-379-4	08-13-08	HMC/MEI 2004 BND PROCEEDS	12,950.02-	12,671.58-

CONTROL MONTH: 08

POOLED FUNDS WITH NEGATIVE CASH BALANCES

FUND	DATE	FUND DESCRIPTION	LOWEST CASH	AVERAGE CASH
00-000-380-2	08-01-08	BC & I 2001 BAN PROCEEDS	1,275,083.98-	1,275,083.98-
00-000-386-0	08-13-08	COUNTY ROAD CONSTRUCTION	634,959.48-	678,818.99
00-000-387-9	08-13-08	HMC CONST 93 XESS EARN	50.12-	27.04-
00-000-395-1	08-31-08	BLDG REPAIR/REPL SUBFUND	3,366,401.18-	2,782,356.39-
00-000-395-7	08-13-08	GENL GOV CIP 97 EXC EARN	174.78-	154.97-
00-000-461-4	08-06-08	WQ PRODUCTIVITY INCENT	3,127.38-	2,866.59-
00-000-560-0	08-01-08	PRINTING/GRAPHIC ARTS SRV	1,325,209.72-	1,317,083.47-
00-000-624-5	08-13-08	HIGHLINE SD401 IMPACT FEE	24.90-	22.01-
00-000-892-1	08-06-08	2006AB SWR JR LIEN MULTI-	85.74-	69.15-
00-000-892-4	08-14-08	2007 SWR REV BNDS	5,958.21-	10,330.51

FUND	DATE	FUND DESCRIPTION	LOWEST CASH	AVERAGE CASH
00-000-214-0	08-31-08	GRANTS FUND	1,731,172.08-	1,372,051.17-
00-000-224-0	08-26-08	WORK TRAINING PROGRAM	694,476.56-	560,529.15-
00-000-224-1	08-05-08	DISPLACED WKR PROG ADMIN	793,214.55-	618,977.03-
00-000-246-0	08-31-08	FED HOUSNG & COMM DEV FND	1,132,309.96-	266,099.97-
00-000-621-0	08-31-08	RESIDUAL INVESTMENTS	4,252,996,657.11-	4,081,357,495.53-
00-000-668-0	08-13-08	AD VALOREM TAX REFUND	60,794.94-	99,185.71

INTERFUND LOANS AMONG NON-COUNTY FUNDS

PACKET PAGE: 60
REPORT ARM650-6

FUND	AVG BORROWED	AVG CASH BAL	BORROWED	FUND DESCRIPTION
05-001-001-0	20,352.62	16,996.21-	630,931.37	PORT-GENERAL FUND
06-411-001-0	39,235.64	202,351,247.99	1,216,304.88	ISSAQUAH SCH GEN REG FUND
06-415-001-0	1.33	71,595,641.82	41.37	KENT SCH GENERAL REG FUND
07-012-001-0	100.16	9,613.90	3,105.17	ALGONA GEN TAX REG FUND
07-021-001-0	266.94	13,283.92	8,275.40	AUBURN GEN TAX REG FUND
07-036-001-0	322.93	201,143.74	10,010.99	BELLEVUE GEN TAX REG FUND
07-042-001-0	35.70	2,100.58	1,106.75	BLACK DIAMOND GEN TX RG C
07-045-001-0	888.80	17,134.95	27,552.97	BOTHELL GENERAL TAX REG C
07-053-001-0	1,998.76	13,817.43	61,961.72	BURIEN GENERAL
07-080-001-0	1,346.35	14,471.75	41,736.88	COVINGTON GENERAL TAX
07-095-001-0	2,326.83	11,767.46	72,131.83	DES MOINES GEN TAX REG C
07-135-001-0	690.55	3,533.48	21,407.16	ENUMCLAW GEN TAX REG C
07-164-001-0	4,083.74	51,457.12	126,595.99	FEDERAL WAY GEN TAX REG
07-260-001-0	30,179.41	53,499.95	935,561.89	ISSAQUAH GEN TAX REG C
07-280-001-0	919.53	27,107.35	28,505.46	CITY OF KENMORE
07-305-001-0	35.46	51,122.30	1,099.30	KENT GEN TAX REG C
07-309-001-0	6,249.56	95,331.91	193,736.65	KIRKLAND GEN TAX REG C
07-331-001-0	791.41	7,187.30	24,533.96	LAKE FOREST PK GN TX RG C
07-350-001-0	844.30	19,586.03	26,173.42	MAPLE VALLEY GENERAL TAX
07-366-001-0	2.38	161,641.10	74.01	MERCER ISLAND GN TX REG C
07-369-001-0	398.76	398.76-	12,361.84	MILTON GENERAL TAX REG T
07-385-001-0	619.60	11,165.58	19,207.66	NEWCASTLE GENERAL TAX REG
07-405-001-0	371.85	5,671.85	11,527.64	NORMANDY PARK GN TX RG C
07-451-001-0	130.59	1,292.58	4,048.49	PACIFIC GEN TAX REG C
07-515-001-0	68.92	90,268.49	2,136.74	REDMOND GEN TAX REG C
07-520-001-0	104.85	323,697.88	3,250.38	RENTON GEN TAX REG C
07-530-001-0	3,174.49	74,466.47	98,409.32	SAMMAMISH GEN TAX REG
07-542-001-0	2,365.49	4,176.48	73,330.48	SEATAC GEN TAX REG

INTERFUND LOANS AMONG NON-COUNTY FUNDS

61

PACKET PAGE:
REPORT ARM650-6

FUND	AVG BORROWED	AVG CASH BAL	BORROWED	FUND DESCRIPTION
07-545-001-0	64,529.17	652,293.30	2,000,404.36	SEATTLE GEN TAX REG C
07-548-001-0	3,796.94	49,966.69	117,705.17	SHORELINE GENERAL TAX
07-551-001-0	97.80	97.80-	3,031.86	SKYKOMISH GEN TAX REG T
07-591-001-0	24.48	21,073.00	759.12	TUKWILA GEN TAX REG C
07-651-001-0	1,050.19	17,995.84	32,555.99	WOODINVILLE GENERAL
09-108-001-0	271.33	5,129,047.83	8,411.28	CEDAR RVR W & S MAINT
09-127-001-0	183.32	592,334.82	5,683.13	WATER 127 MAINTENANCE
10-016-001-0	8,532.48	8,491,585.63	264,506.97	FIRE 16 EXPENSE
10-061-001-0	6,818.29	4,470.14-	211,367.19	VALLEY REGIONAL FIRE AUTH
14-004-001-0	799,287.95	699,813.76	24,777,926.67	HOSPITAL 4 GENERAL
16-002-001-0	95.14	95.14-	2,949.63	
16-128-001-0	43.64	43.64-	1,352.87	RID 128 ENHANCED
16-131-001-0	10,118.67	10,118.67-	313,678.98	RID 131 ENHANCED
16-133-001-0	33.54	33.43-	1,039.80	
17-000-001-0	9.67	9.67-	300.00	
21-000-001-0	1,291.67	193,519,986.10	40,042.03	HMC GENERAL OPERATING FND
22-001-001-0	329.70	702,679.74	10,220.72	DIRECTORS ASSOCIATION
26-101-001-0	3,174.50	134.22	98,409.76	KC SOIL CONSERV DISTRICT
35-001-001-0	35.41	25.10-	1,097.90	PCLS GEN TAX REGULAR
79-600-001-0	36.00	36.00-	1,116.00	
REPORT TOTAL	1,017,667.06	2,589,083,139.25	31,547,679.15	

Interfund Borrowings (Investment System)

08/31/08

Borrowing Entity	Borrowing Fund Number	Fund Name	Reason For Loan & Repayment Method	Loan Amount Authorized	Fund Balance at Month-end	Average Amount Borrowed	Interest Paid in Current Month	Term of Loan	Loan Rate	Lending Entity	Date of EFC Approval
King County	00-000-3611	Waste Water Construction	To prevent interruption of capital improvement program. Repayment from future revenue bond issue.	Original Loan \$150,000,000 Revised Amts: \$300,000,000	(\$1,153,589)	\$89,396,892	\$219,663	5/31/2008, 8/31/08	Pool Rate	CX/Residual	1/31/2008, 4/24/08
King County	00-000-3691	Transfer of Dev Credit Program	Acquire density rights in rural areas. Repayment from future LTGO bond issue or unencumbered Conservation Futures Fund revenues (LTGO bonds never issued).	\$1,500,000	\$825,886	\$0	\$0	2/28/2009	Pool Rate	CX/Residual	2/19/1999
King County	00-000-3951	Building Repair & Replacement Fund	Interim funding to allow the fund to purchase a facility to house the King County Elections Division. Repayment from future bond proceeds.	\$27,000,000	(\$3,366,401)	\$2,782,356	\$6,837	12/31/2008	Pool Rate	CX/Residual	7/24/2008
King County	00-000-5600	Printing/Graphics Arts Fund	Interim funding to allow the fund to recover from slow business cycle. Repayment from future revenues generated from new customers.	Original Loan \$450,000. Revised Amts: \$862,000	(\$1,306,512)	\$1,317,083	\$3,236	6/30/2005, 9/30/05, 12/31/05, 1/31/06, 3/31/06, 7/31/06, 10/31/06, 1/31/07, 3/31/07, 5/31/07, 6/30/07, 8/31/07, 10/31/07, 12/31/07, 12/31/08, 12/31/08	Pool Rate	CX/Residual	1/27/2005, 6/23/05, 9/22/05, 12/15/05, 1/26/06, 3/24/06, 7/28/06, 10/27/06, 1/29/07, 3/22/07, 5/24/07, 6/28/07, 8/23/07, 10/25/07, 12/6/07, 2/28/08
Road Improvement District	16-127-3010	RID 127	Road improvements. Repayment from taxpayer assessments	\$500,000	\$426	\$0	\$0	Open	Pool Rate	CX/Residual	6/21/2001
Road Improvement District	16-128-3010	RID 128	Road improvements. Repayment from taxpayer assessments	\$500,000	(\$44)	\$44	\$0	Open	Pool Rate	CX/Residual	6/21/2001
Road Improvement District	16-129-3010	RID 129	Road improvements. Repayment from taxpayer assessments	\$500,000	\$6,938	\$0	\$0	Open	Pool Rate	CX/Residual	6/21/2001
Road Improvement District	16-130-3010	RID 130	Road improvements. Repayment from taxpayer assessments	\$500,000	\$1,418	\$0	\$0	Open	Pool Rate	CX/Residual	6/21/2001
Road Improvement District	16-131-3010	RID 131	Road improvements. Repayment from taxpayer assessments	\$500,000	(\$10,112)	\$10,119	\$25	Open	Pool Rate	CX/Residual	6/21/2001
Road Improvement District	16-132-3010	RID 132	Road improvements. Repayment from taxpayer assessments	\$500,000	\$20,181	\$0	\$0	Open	Pool Rate	CX/Residual	6/21/2001

Interfund Borrowings (Direct Loans)

08/31/08

Borrowing Entity	Borrowing Fund Number	Fund Name	Reason For Loan & Repayment Method	Loan Amount Authorized	Loan Outstanding at Month-end	Fund Balance at Month-end	Interest Paid	Term of Loan	Loan Rate	Lending Entity	Date of EFC Approval
King County	00-000-2140	Miscellaneous Grants Fund	Cash flow. No repayment scheduled	\$700,000	\$300,000	(\$1,731,172)	\$0	Open	0%	CX/Residual	11/26/1975
								4/30/2006,			4/28/2006,
King County	00-000-3641	Public Transportation Capital Fd	Compensation for delay of property sale. Repayment from property sale.	\$3,500,000	\$3,500,000	\$103,159,899	\$0	4/30/2007,	0%	CX/Residual	4/28/2006,
								4/30/08,			4/26/07,
								4/30/09			4/24/08